

Kentucky Agricultural Development Board

Minutes of the January 20, 2006 Board Meeting

The Monthly Board Meeting of the Kentucky Agricultural Development Board was held on **January 20, 2006** at **10:00 AM EST** in the Franklin County Extension Office in Frankfort, KY. Mike Judge, presiding, called the meeting to order, and the Secretary called the roll.

Roll Call

Members Present

Donna Amburgey; H. H. Barlow; Vickie Yates Brown; John Cleaver; Rodney Dick; Commissioner Richie Farmer (Mike Judge, designee); Sam Lawson; Jim Mahan; Sam Moore; Dean M. Scott Smith (Jimmy Henning, designee); Secretary Gene Strong (Don Goodin, designee)

Members Absent

Danny Case, Governor Ernie Fletcher, Dennis Griffin, Wayne Hunt

Others Present

Staff - Catherine Ball, Angela Blank, David Bratcher, Brian Furnish, Sandy Gardner, Tim Hughes, Christi Marksbury, Maggie May, Bill McCloskey, Joel Neaveill, Keith Rogers, Nick Whobrey, Stephen Yates

Guests – Larry Snell, Kentucky Cooperative (KCCD); Brent Lackey, Kentucky Produce & Aquaculture Alliance (KPAA); Tim Woods, University of Kentucky (UK); Beth & Joey Wilson, UK and vegetable grower; Anna Kindrick, Kentucky Department of Agriculture (KDA); Mac Stone, KDA; Phil McCracken, KDA; Sharon Burton, The Farmer's Pride; Barbara Campbell, Maysville Community & Technical College (MCTC); Dennis Perry, (MCTC); Mark Lambert, (MCTC)

Notification of Media

Mr. Judge received verification from Keith L. Rogers, Chief Executive Officer, that the media had received notice regarding the Agricultural Development Board meeting.

Welcome

Mr. Judge welcomed everyone for attending the Agricultural Development Board meeting.

Approval of Minutes

Sam Moore moved to approve the minutes of the January 13, 2006 meeting as presented; Rodney Dick seconded the motion. The motion passed without dissent.

Executive Director's Report

Mr. Rogers reported that Dennis Griffin is continuing to do well and plans to be at the February meeting. He also announced that Maggie May would be leaving the Governor's Office of Agricultural Policy and will be going to work for Central Bank in Lexington. Wayne Hunt sent his apologies for being unable to make the meeting due to other commitments.

Mr. Rogers reported on activities in the office. He discussed plans to include legislators in press releases to increase outreach to the legislature. The tobacco oversight committee

met last week. Mr. Rogers and Brian Furnish talked with them on policy issues and the changes in the cattle genetics program.

Mr. Rogers called on Tim Hughes to update on the Kentucky Agriculture Finance Corporation. Mr Hughes reported on policy changes at the January meeting.

Mr. Rogers discussed the items in the update folder that would not be covered in the meeting. (On file with the Board Secretary)

Mr. Rogers then called on Daniel Green from the Burley Cooperative to speak on the Burley Cooperative's cost-share program. Mr. Green stated that the Cooperative had \$3.9 million to fund infrastructure projects. They ended up with almost \$7 million in applicants and they plan to fund all the projects. Mr. Green said he will provide a full summary at the next board meeting.

Mr. Rogers gave a short synopsis of the upcoming Annual Meeting. He stated that Governor Fletcher is planning to be there at 9:00. Will Snell will give the State of Agriculture address and Jay Poole, formerly of Altria, will be lunch speaker.

Old Business

Crop Insurance in the Vegetable Industry

Mr. Rogers turned the floor over to Dr. Jerry Skees from the University of Kentucky to give a presentation about crop insurance in the vegetable industry. (Presentation on file with Board Secretary)

Vegetable Cooperatives

Mr. Rogers called on Larry Snell for a review of the financial report of the West Kentucky Growers Cooperative. (Packet on file with Board Secretary)

Mike Judge made the motion to adjourn and continue into closed session pursuant to KRS 61.810 to discuss "proposed litigation"; Sam Moore seconded the motion. The motion passed without dissent.

The Board went into **Closed Session** to discuss the issue of the vegetable cooperatives.

New Business

Referral of February Projects¹

Mr. Rogers presented projects A2005-0621 to A2006-0004 for referral to the Board's February meeting for review. Mr. Moore moved that projects A2005-00621 to A2006-0004 be referred for February review; Rodney Dick seconded the motion. The motion passed without dissent.

¹ A detailed list of the referred projects is attached as Appendix A.

Approval of Model Programs²

Mr. Judge submitted projects requesting funds for county model programs. Mr. Dick moved the said applications be approved for the named model programs; Jimmy Henning seconded the motion. The motion passed without dissent.

Requested Amendments³

Mr. Rogers presented 10 requested amendments for approval. John Cleaver moved that said amendments be approved; Donna Amburgey seconded the motion. The motion passed without dissent.

Keith Rogers requested the Kentucky Entrepreneurial Coaches Institute amendment for approval. The staff is recommending an official termination date be established and that the date should be June 30, 2007. (Memo on file with Board Secretary)

Don Goodin moved that said amendment be approved; Jim Mahan seconded the motion. The motion passed without dissent.

Keith Rogers requested a six month extension on project A2003-0602 to complete the feasibility study for Kentucky Specialty Grains that was approved by the Agricultural Development Board for \$72,475 at the November 21, 2003 board meeting for approval. (Memo on file with Board Secretary)

Mr. Moore moved that the said amendment be approved; Mr. Goodin seconded the motion. The motion passed without dissent.

Keith Rogers requested that the terms of A2005-0491 be amended to allow for the participation of farmers who are not tobacco dependent, with preference given to farmers who can document tobacco dependency in Whitley County. (Memo on file with Board Secretary)

Dr. Henning moved that the said amendment be approved; Mr. Dick seconded the motion. The motion passed without dissent.

Recommendations for Funding

Brian Furnish presented **A2004-0465, Sharpe Farms**. Sharpe Farms requests \$35,190 in state funds and \$1,500 in Whitley County funds for the establishment of a regional meat goat demonstration and research farm in Whitley County. Mr. Furnish reviewed the proposed terms and conditions for the project.

Mr. Dick moved that **A2004-0465 be approved for \$1,500 in Whitley County funds and NO FUNDING for the State Funds portion**; Mr. Cleaver seconded the motion. The motion passed without dissent.

Brian Furnish presented **A2005-0592, Breathitt County Conservation District**. The Conservation District requests \$15,750 of Breathitt County funds for a heifer replacement program. Mr. Furnish reviewed the proposed terms and conditions for the project.

² A detailed list of projects funded under each model program category is attached as Appendix B.

³ A detailed list of requested amendments approved is attached as Appendix C.

Mr. Cleaver moved that **A2005-0592 be approved for \$15,750**; Mr. Goodin seconded the motion. The motion passed without dissent.

Bill McCloskey presented **A2005-0596, Owensboro Grain Company, LLC**. The Owensboro Grain Company requests \$1,000,000 of state funds for finance a \$22 million proposal to construct and operate a 30-45 million gallon per year biodiesel production facility to be located adjacent to the company's existing soy oil refinery in Owensboro. Mr. McCloskey reviewed the proposed terms and conditions for the project.

Sam Lawson moved that **A2005-0592 be approved for \$1,000,000**; H.H. Barlow seconded the motion. The motion passed without dissent.

Nick Whobrey presented **A2005-0598, Gallatin County Agricultural Diversification Association**. The Gallatin County Ag Diversification Association requests \$57,000 of Gallatin County funds to administer a menu approach which will offer four model programs. Mr. Whobrey reviewed the proposed terms and conditions for the project.

Mr. Barlow moved that **A2005-0598 be approved for \$57,000**; Dr. Henning seconded the motion. The motion passed without dissent.

Nick Whobrey presented **A2005-0612, Maysville Community and Technical College**. The Maysville Community and Technical College requests \$124,800 of state funds to address the lack of technical skills among farmers in the area of welding and diesel mechanics. Mr. Whobrey reviewed the proposed terms and conditions for the project.

Mr. Cleaver moved that **A2005-0612 be approved for \$124,800**. Mrs. Amburgey seconded the motion. The motion passed without dissent.

Stephen Yates presented **A2005-0615, Lexington Lions Club, Inc.** The Lexington Lions Club, Inc. requests \$100,000 of Fayette County funds for 43% of the construction cost of a livestock education and show facility to be located in Masterson Station Park. Mr. Yates reviewed the proposed terms and conditions for the project.

Mr. Mahan moved that **A2005-0615 be approved for \$100,000**. Mr. Moore seconded the motion. After board discussion, Mr. Mahan withdrew his motion.

Mr. Lawson made the motion to pend **A2005-0615** due to the need for more information to support the project such as developing a marketing plan and clarifying the requirement of infrastructure. Mr. Cleaver seconded the motion. The motion passed without dissent.

Stephen Yates presented **A2005-0618, The Shepherd's Rug**. The Shepherd's Rug requests \$2,341 of Montgomery County funds to develop, publish and promote an instructional book which outlines a method of producing superior floor coverings using Kentucky grown wool. Montgomery County gave a high priority to a lesser amount of \$1,100. Mr. Yates reviewed the proposed terms and conditions for the project.

Mr. Cleaver moved that **A2005-0618 be approved for \$1,100**. Mr. Dick seconded the motion. The motion passed without dissent.

Stephen Yates presented **A2005-0619, Harrison County Extension District Education Fund**. The Extension District Education Fund requests \$10,988 of Harrison funds for 50% of the

cost of a storage building to house pieces of shared-use equipment previously funded by agricultural development funds. Mr. Yates reviewed the proposed terms and conditions for the project.

Mr. Cleaver moved that **A2005-0619 be approved for \$10,988**. Mrs. Amburgey seconded the motion. The motion passed without dissent.

Recommendations for Pending

The following applications were discussed, but no action was taken: LaRue County Beef Cattle Association, Inc. (A2005-0546); and Adair County Cattleman's Association, Inc. (A2005-0610).

Deferred Projects

Mr. Rogers presented **A2005-00620, Ag Communications Foundation, Inc.** as a project being deferred. The applicant requests \$550,000 (\$410,000 in state funds and \$140,000 in county funds) to produce a season of prime time programming as the Kentucky Farm and Garden show to highlight Kentucky Agriculture. Kentucky Education Television (KET) has agreed to broadcast the twenty-six series of shows at no charge. The total cash outlay to produce a year of programming is estimated to be \$802,000.

The Board discussed the project and staffs options. Mr. Rogers recognized Steve Meredith of the Agricultural Communication Foundation, Inc, as present, to answer any of the Board's questions.

Additional Amendments

Keith Rogers requested a additional \$3,000 for Garrard County Farm Bureau for the rotational grazing component of their forage improvement program to closeout the program. Garrard County is also requesting an additional \$13,000 to closeout their existing Hay, Straw and Commodity Storage program. (Memo on file with Board Secretary)

Dr. Henning moved that the said amendment be approved; Mr. Dick seconded the motion. The motion passed without dissent.

Keith Rogers requested to transfer \$12,000 of the Harrison County Agricultural Development Board funds from their Forage program to the Cattle Handling facilities program.

The following counties also internally transferred funds from one program to another and thus need board approval to close out their model programs: Oldham, Carroll, Carlisle and Hardin. (Memo on file with Board Secretary)

Mr. Moore moved that the said amendments be approved; Mr. Mahan seconded the motion. The motion passed without dissent.

Vegetable Cooperatives

The board's recommendation of sub-leasing to the Western Kentucky Growers Cooperative and the Central Kentucky Growers Association was as follows:

As West Kentucky Grower Cooperative (WKGC) and Central Kentucky Growers Association, Inc (CKGA) inquired about this Board's approval of the possibility of entering a lease/sub-lease for

their vegetable processing facilities pursuant to the terms of their legal agreements, the Board renders the following:

It is explicitly the position of this Board that the growers benefit from the lease/sub-lease, not the Grantee/Borrower. This Board was created by the General Assembly in KRS 248.707 and charged with the responsibility of administering funds from the "Rural Development Fund" created in KRS 248.655 to provide economic assistance to the agriculture community of the Commonwealth. Pursuant to its statutory mandate of receiving requests via applications for funding and subsequently authorizing the distribution of said funds according to KRS 248.709, the Board entered legal agreements with the Grantee/Borrower. The Grantee/Borrower are mechanisms through which growers expand their agricultural endeavors. It has always been the intent of this Board that the agricultural community benefits from the projects, not the individual Grantees/Borrowers. Therefore, any lease or sublease must be for the benefit and profit of the growers, not for the Grantee/Borrower.

In order for this Board to consent to a lease or sub-lease of any facility on which it currently holds a mortgage or other security interest, the intent for which the Agricultural Development Board (ADB) funds were granted or loaned must be satisfied by the Lessee. It is the intent of this Board that the farmers of Kentucky are able to benefit from ADB funds in their agricultural pursuits. In the event that this may be accomplished by a lease between the Grantee/Borrower of ADB funds and a third party, with an intended positive outcome for Kentucky Agriculture, this Board will enter a tri-party agreement with the Grantee/Borrower and the third party consenting to the lease.

The specific question raised by WKGC and CKGA was whether they may lease their individual vegetable production facilities to an unnamed for-profit vegetable produce company. Various for-profit companies expressed interest in the prospect of leasing or purchasing the facilities. While this Board will not endorse any particular company as WKGC and CKGA seek to lease their facilities, we will support their pursuit so long as the ultimate outcome is beneficial to growers.

At this time, without specific proposal to evaluate, we suggest the following minimum criteria would be beneficial to the growers:

1. The Lessee will provide an infrastructure and opportunities for Kentucky farmers to grow and profit from vegetable production;
2. The Lessee will provide documentation that it is a financially viable Perishable Agriculture Commodity Act licensed with an acceptable Blue Book rating entity which is established and experienced;
3. The Lessee will ensure the growers will be fairly compensated in timely fashion consistent with industry standards;
4. The facility will primarily be used to process Kentucky produce during the Kentucky growing season;
5. The Grantee/Borrower and the Lessee will maintain the facility and the equipment and neither will alter the existing facility without prior approval of this Board;
6. The Lessee will indemnify and hold harmless this Board and its staff from any liability arising from Lessee's actions;
7. The lease shall include language requiring the Grantee/Borrower and the Lessee to report to this Board at a minimum via the annual programmatic report; and
8. The Lessee may not enter into any sub-lease arrangements without the prior approval of this Board.

Mr. Moore made the motion to approve the recommendation from the staff on the proposed position on WKGC and CKGA's potential leases; Mr. Mahan seconded the motion. The motion passed without dissent.

Governor Fletcher's Budget

Mr. Judge gave the floor to Joel Neaveill with the Governor's Office of Agricultural Policy to give a short presentation of Governor Fletcher's budget to the board. (Presentation on file with Board Secretary)

Master Settlement Proposal

Mr. Neaveill yielded the floor to Mr. Rogers for a brief overview of the Master Settlement Agreement proposal. Mr. Rogers wanted the board to know the facts on the MSA and what to expect in the upcoming weeks on possible legislation.

KAFC/ADB Agreement Modification

Mr. Rogers presented the memo for modification to the KAFC/ADB agreement. (Memo on file with Board Secretary) Mr. Lawson made the motion to accept the recommendations to the memo; Mr. Cleaver seconded the motion. The motion passed without dissent.

Kentucky Agriculture Heritage Center

Mr. Rogers presented the memo for the Kentucky Agricultural Heritage Center. Mr. Barlow made the motion to accept the recommendation to make a one time commitment of up to one million dollars towards the creation of a Kentucky Agriculture Heritage Center based upon a dollar for dollar match of the public and private funds raised to facilitate this initiative. Mr. Mahan seconded the motion. The motion passed without dissent. (Memo on file with Board Secretary)

Closing Remarks

The next meeting of the Kentucky Agricultural Development Board will convene at 10:00 AM EST on Friday, February 17, 2006 at the Kentucky Exposition Center in South Wing C, Room 103 in Louisville, KY. Mr. Cleaver made the motion to adjourn; Mrs. Amburgey seconded the motion. The motion passed without dissent.

The meeting adjourned at 4:15 PM EST

APPROVED: _____

PRESIDING OFFICER: _____

SECRETARY: _____

Appendix A: New Applications for Referral

		Request Type
A2005-0621	Green River Area Beef Improvement Group, Inc.	Cattle Genetics Improvement
A2005-0622	Green River Area Beef Improvement Group, Inc.	Cattle Handling Facilities
A2005-0623	Pulaski County Conservation District/SKAD	Forage Improvement & Utilization
A2005-0624	Jessamine County Goat Producers, Inc.	Goat Diversification
A2005-0625	Jessamine County Conservation District	Forage Improvement & Utilization
A2005-0626	Green River Area Development District, Inc.	Technology
A2005-0627	Grayson County Cattlemen's Association, Inc.	Cattle Genetics Improvement
A2005-0628	Grayson County Cattlemen's Association, Inc.	Cattle Handling Facilities
A2005-0629	Grayson County Cattlemen's Association, Inc.	Forage Improvement & Utilization
A2006-0001	Rebekah Grace Food & Supplements for Life, LLC	Project
A2006-0002	B & R Drennan Enterprises, Inc.	Project
A2006-0004	Bracken County Agricultural Advancement Council, Inc.	Cattle Genetics Improvement
A2006-0004	Scott County Beef Improvement Association, Inc. Project	Project

Appendix B: Model Programs Recommended for Approval

Cattle Genetics Improvement

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0627	Grayson County Cattlemen's Association, Inc.	Grayson	\$70,000.00
A2005-0621	Green River Area Beef Improvement Group, Inc.	Henderson	\$15,000.00
			<u>\$85,000.00</u>

Cattle Handling Facilities

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0617	Fayette County Beef Cattle Association	Fayette	\$25,000.00
A2005-0628	Grayson County Cattlemen's Association, Inc.	Grayson	\$30,000.00
A2005-0622	Green River Area Beef Improvement Group, Inc.	Henderson	\$20,000.00
			<u>\$75,000.00</u>

Dairy Diversification

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0611	SKAD/Southeast Kentucky Corn Growers Association, Inc.	Pulaski	\$75,000.00
			<u>\$75,000.00</u>

Forage Improvement & Utilization

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0629	Grayson County Cattlemen's Association, Inc.	Grayson	\$20,000.00
A2005-0623	Pulaski County Conservation District/SKAD	Pulaski	\$80,000.00
			<u>\$100,000.00</u>

Hay, Straw, & Commodity Storage

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0616	Fayette County Cattlemen's Association, Inc.	Fayette	\$50,000.00
			<u>\$50,000.00</u>

Technology

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0626	Green River Area Development District, Inc.	Webster	\$10,000.00
			<u>\$10,000.00</u>

Total County Funds Recommended for Approval in Model Programs: \$395,000.00

Appendix C: ***Requested Amendments-Projects & Programs***

App # **A2005-0046**
Applicant Name **Bourbon County Fiscal Court**
Amount Approved \$74,900.00
Date February 18, 2005
Requested Change The applicant requests an additional \$70,000.00 for the *Hay, Straw, & Commodity Storage Program*. The request received a High priority from the Bourbon County Council. The term of the program shall remain 18-months from the execution date of the original agreement. Approval of this request would bring the program total to \$144,900.00.
Recommendation Approval

App# **A2004-0300**
Applicant Name **Ohio County Agricultural Development Council**
Amount Approved \$100,000.00
Date June 18, 2004
Requested Change The applicant requests to terminate their request for \$100,000.00 for a *Revolving Loan Fund*. Approval of this request would bring the program total to \$0.00.
Recommendation Approval

App# **A2005-0355**
Applicant Name **Barren County Cattleman's Association**
Amount Approved \$149,000.00
Date July 27, 2005
Requested Change The applicant requests an additional \$20,000.00 for the *Cattle Handling Facilities Program*. The request received a High priority from the Barren County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$169,000.00.
Recommendation Approval

App# **A2004-0545**
Applicant Name **Grayson County Cattleman's Association Inc.**
Amount Approved \$75,000.00
Date January 21, 2005
Requested Change The applicant requests an additional \$30,000.00 for the *Cattle Genetics Improvement Program*. The request received a High priority from the Grayson County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$105,000.00.
Recommendation Approval

Requested Amendments-Projects & Programs

App# **A2005-0374**
Applicant Name **Grant County Cattleman's Association, Inc.**
Amount Approved \$30,000.00
Date July 27, 2005
Requested Change The applicant requests an additional \$11,832.00 for the *Farm Livestock Fencing Improvement Program*. The request received a High priority from the Grant County Council. The term of the program shall remain 18-months from the execution date of the original agreement. Approval of this request would bring the program total to \$41,832.00.
Recommendation Approval

App# **A2005-0376**
Applicant Name **Grant County Cattleman's Association, Inc.**
Amount Approved \$30,000.00
Date July 27, 2005
Requested Change The applicant requests an additional \$23,547.00 for the *Hay, Straw, & Commodity Storage Program*. The request received a High priority from the Grant County Council. The term of the program shall remain 18-months from the execution date of the original agreement. Approval of this request would bring the program total to \$53,547.00.
Recommendation Approval

App# **A2005-0424**
Applicant Name **Rowan County Fiscal Court**
Amount Approved \$13,426.00
Date August 19, 2005
Requested Change The applicant requests an additional \$6,298.00 for the *Forage Improvement & Utilization Program*. The request received a High priority from the Rowan County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$19,724.00.
Recommendation Approval

Requested Amendments-Projects & Programs

App#	A2005-0267
Applicant Name	Rowan County Fiscal Court
Amount Approved	\$20,000.00
Date	June 17, 2005
Requested Change	The applicant requests an <u>additional</u> \$4,658.00 for the <i>Goat Diversification</i> Program. The request received a High priority from the Rowan County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$24,658.00.
Recommendation	Approval

App#	A2005-0563
Applicant Name	Nicholas County Fiscal Court
Amount Approved	\$25,000.00
Date	November 18, 2005
Requested Change	The applicant requests an <u>additional</u> \$23,360.00 for the <i>On Farm Water Enhancement</i> Program. The request received a High priority from the Nicholas County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$48,360.00.
Recommendation	Approval